



Office of Export Enforcement



John Sonderman
Supervisory Special Agent
Operations Division





Export Enforcement's Role

Protect National Security and Foreign Policy Goals

- Prevention and Detection
- Investigation and Prosecution
- Domestic and International Law Enforcement Cooperation



Office of Export Enforcement Regions



Preventive Enforcement Activities

- ➡ **Develop watchlists and screen license applications**
- ➡ **Check transactions prior to issuing licenses**
- ➡ **Verify licensed end-uses after shipment**
- ➡ **Review Shipper's Export Declarations**
- ➡ **Review Visa applications**



Investigations and Prosecution

Investigations

- Criminal
- Administrative

Penalties

- Criminal Fines and Imprisonment
- Civil Penalties
- Denial of Export Privileges





Criminal Fines and Penalties

Willful Violations

- 👉 **\$1 million per violation - corporations**
- 👉 **\$250,000 per violation - individuals**
- 👉 **10 years imprisonment per violation**

CIVIL PENALTIES

☞ **\$100,000 per violation of national security controlled items**

- July 1995, Halliburton fined \$2.6 million
- January 1995, Teledyne fined \$2 million

☞ **Seizure of goods**



Five Root Causes Enforcement Cases

INCOMPLETE TRANSACTION INFORMATION

- ➡ Unknown End-user or End-use
- ➡ Multiple parties to a transaction
- ➡ Correct product classification
- ➡ Identify all parties to a transaction, verify as legitimate intermediaries and ultimate consignees.



Ignoring Red Flags

- Person ordering the technology is unfamiliar with product or technical information regarding end-use
- Inappropriate end-user – banks, overseas freight forwarders, etc.
- Conflicting information on sales documentation and export routing correspondence.



Human Error

- ☞ Overwhelmed by end of quarter orders and processing
- ☞ New personnel using outdated go-by documentation
- ☞ Export manager on vacation (cross train back up personnel)
- ☞ Lack of communication with sales staff and foreign distributors.



Incomplete/incorrect SED Filing

- ☞ Wrong ECCN
- ☞ Improper use of NLR (No license required)
- ☞ Wrong Ultimate Consignee
- ☞ Non-conformance of documents



Failure to Inform on license conditions

- ☞ Identify all license conditions issued and identify any conflict with sales transaction, resolve any conflicts before proceeding with transaction. Even if this means amending the license!
- ☞ Notify intermediate and ultimate consignees of the BIS license conditions
- ☞ Submit all reporting as required by BIS license.



When You find a Violation

- ☞ Notify management
- ☞ Identify and contain immediate violation
- ☞ Conduct internal audit for scope of problem
- ☞ Disclose problem to BIS/OEE promptly and completely





Nuclear lab faces charges over exports

By Barbara Slavin
USA TODAY

Los Alamos National Laboratory, under fire in connection with alleged spying by China, faces charges over nuclear-related exports to Russia, lab officials say.

The Commerce Department notified the lab in New Mexico in January that it was preparing civil charges over unlicensed exports of nuclear materials and a computer router. They were provided from 1994-96 in a program to help Russia safeguard vast reserves of nuclear materials.

Lab director John Browne said the issue involves bureaucratic procedures more than national security. "It's one of those gray areas of interpretation. At the time, the 'interpretation' made here was that a license was not required."

But Rep. Christopher Cox, R-Calif., head of a special committee looking into high-tech transfers to China, said the case was indicative of security problems at U.S. nuclear labs. "I would hope the Department of Energy and Los Alamos would use this as an example of what will no longer be tolerated," he said.

Commerce Department regulations on the books since 1990 forbid exports without a license to organizations involved in the development, design, manufacturing, testing or maintenance of nuclear weapons. Penalties include fines and a loss of export privileges.

One of the case has aroused anxiety among lawmakers. The facility already is being retained an employee, Wen Ho, passing nuclear secrets to China, Energy Secretary Bill Richardson, but no charges have

Los Alamos sent a helium 3 gas-16 lab in Sarov, Russia, a bomb. The declassified material, which can be used to make other

Top Cape – Asher Karni





Silicon Graphics, Inc.

- January 7, 2003
- Pled guilty to two felony charges that the company violated Commerce Department regulations by illegally exporting high performance computers to a Russian nuclear laboratory in 1996
- \$1 million in criminal fines
- \$182,000 civil fine
- Suspended denial of exporting privileges to Russia for a period of three years

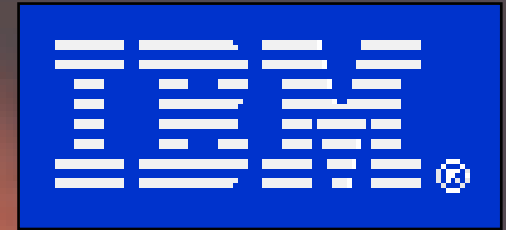




Silicon Graphics, Inc.

- SGI admitted that, on two occasions in 1996, the company exported four Challenge L computer systems, upgrades, and peripheral equipment to the All-Russian Institute for Technical Physics (Chelyabinsk-70) in violation of U.S. export control regulations. Chelyabinsk-70, located in Snezhinsk, Russia, is a nuclear laboratory operated by Russia's Ministry of Atomic Energy and is engaged in research, development, testing, and maintenance of nuclear devices.





Export Enforcement Case Study (Nuclear): IBM East Europe/Asia Ltd.

Arzamas-16 and Chelyabinsk-70

- ☞ In January 1997, a former MINATOM Minister Mikailov stated that Arzamas-16 and Chelyabinsk-70, two Russian nuclear research centers, had purchased a super-computer and server which would increase their computing capabilities ten fold.

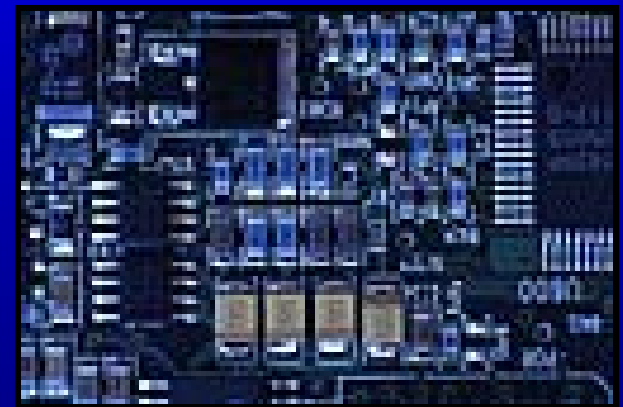
Investigation

An investigation revealed that in 1996 and 1997 IBM East Europe/Asia Ltd., the Russian subsidiary of IBM, exported computers to Arzamas-16, a Russian nuclear weapons lab, in violation of U.S. export laws and regulations



IBM East Europe/Asia, Ltd. Penalized

- ➡ On July 31, 1998, IBM-Russia pled guilty to illegal export of computers to a Russian nuclear weapons laboratory
- ➡ Criminal fine: \$8.5 million
- ➡ Civil penalty: \$171,000
 - Maximum permitted



The New York Times

I.B.M. Guilty Of Illegal Sales To Russian Lab --- Unit Strikes Plea Deal for Computer Exports

By JEFF GERTH

WASHINGTON, July 31 — An I.B.M. subsidiary pleaded guilty today to illegally exporting 17 advanced computers to a Russian nuclear weapons laboratory and agreed to pay an \$8.5 million fine in what Federal investigators believed was the first criminal conviction against I.B.M.

Georgia secretly bought the computers late 1996 and early 1997 in belief that Washington sale after Moscow nuclear tests by the United States to Russia in

Entities List - Russian Nuclear Weapons Labs

Entity	License Requirement	License Review Policy	Federal Register Citation
All-Union Scientific Research Institute of Experimental Physics, (aka VNIIEF, Arzamas-16 , Russian Federal Nuclear Center, All Russian Research Institute of Experimental Physics, ARIEP, Khariton Institute) located in either Snezhinsk or Kremlev	All items subject to the EAR	Case-by-case basis	62 FR 35334 - 6/30/97
All-Russian Scientific Research Institute of Technical Physics, (aka VNIITF, Chelyabinsk-70 , all-Russian Research Institute of Technical Physics, ARITP, Russian Federal Nuclear Center) located in either Snezhinsk or Kremlev	All items subject to the EAR	Case-by-case basis	62 FR 35334 - 6/30/97